Management's Discussion and Analysis

For the three and six months ended June 30, 2021 and 2020

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Guanajuato Silver Company Ltd. ("GSilver" or the "Company"), formerly VanGold Mining Corp., for the three and six months ended June 30, 2021 and the related notes contained therein, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). As well as the annual audited consolidated financial statements for the year ended December 31, 2020. As well as the annual audited consolidated financial statements for the year ended December 31, 2020, which are in accordance with IFRS and the related annual MD&A.

All amounts are expressed in Canadian dollars unless otherwise stated. This MD&A has been prepared as of August 26, 2021 and includes "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein.

Forward-Looking Statements

Certain sections of this MD&A contain forward-looking statements and forward-looking information. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements or forward-looking information, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements and forward-looking information contained or incorporated by reference in this MD&A may relate to the Company's future financial condition, results of operations, plans, objectives, performance or business developments including, among other things, potential property acquisitions, exploration and work programs, permitting and drilling plans and timing of permitting approvals and drilling, the performance characteristics of the Company's exploration and evaluation assets, exploration results of various projects of the Company, projections of market prices and costs, supply and demand for gold, silver and other precious metals, expectations regarding the ability to raise capital and to acquire resources and/or reserves through acquisitions and/or development, treatment under governmental regulatory regimes and tax laws, and capital expenditure programs and the timing and method of financing thereof. Forward-looking statements and forward-looking information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements and information, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained or incorporated by reference in this MD&A, which may prove to be incorrect, include, but are not limited to: (1) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment, adverse weather conditions, COVID 19 or otherwise; (2) permitting, access, exploration, expansion and acquisitions at our projects (including, without limitation, land acquisitions for and permitting of exploration, development and production plans) being consistent with the Company's current expectations; (3) the viability, permitting, access, exploration, development and operation of the El Cubo and El Pinguico properties being consistent with the Company's current expectations; (4) political developments in Mexico including, without limitation, the implementation of new mining laws and related regulations being consistent with the Company's current expectations; (5) the exchange rate between the Canadian dollar and the U.S. dollar or between the Canadian dollar and the Mexican Peso being approximately consistent with current levels; (6) certain price assumptions for gold, silver and other precious metals; (7) prices for and availability of equipment, labor, natural gas, fuel oil, electricity, water and other key supplies remaining consistent with current levels; (8) the results of the Company's exploration, development and production programs on the El Cubo and El Pinguico properties being consistent with the Company's expectations; (9) labour and materials costs increasing on a basis consistent with the Company's current expectations; and (10) the availability and timing of additional financing being consistent with the Company's current expectations. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and forward-looking information. Such factors include, but are not limited to: the timing and availability of additional capital, fluctuations in the currency markets; fluctuations in the spot and forward price of gold, silver or other commodities (such as diesel fuel and electricity); changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Mexico, or other countries in which the Company may carry on business in the future; business opportunities that may be presented to, or pursued by, us; our ability to successfully integrate acquisitions; operating or technical difficulties in connection with exploration, development and production activities; employee relations; the speculative nature of silver and gold exploration and development, including the risks of obtaining necessary licenses and permits; competition for, among other things, capital, acquisitions of resources and/or reserves, undeveloped lands and skilled personnel, incorrect assessments of the value of acquisitions, geological, technical, drilling and processing problems, fluctuations in foreign exchange or interest rates and stock market volatility, changes in income tax laws or changes in tax laws and incentive programs relating to the mineral resource industry; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and copper and/or zinc bullion losses (and the risk of inadequate insurance, or the inability to obtain insurance, to cover these risks). Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements or forward-looking information made by, or on behalf of, the Company. There is also uncertainty about the spread of COVID-19 and variants of concern and the impact they will have on the Company's operations, personnel, supply chains, ability to access properties or procure exploration equipment, contractors and other personnel on a timely basis or at all and economic activity in general. There can be no assurance that forward-looking statements and forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements and information. Forward-looking statements and forward-looking information are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements and forward-looking information made in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada including, but not limited to, the Financial Statements. These factors are not intended to represent a complete list of the factors that could affect the Company and readers should not place undue reliance on forward-looking statements or forward-looking information in this MD&A.

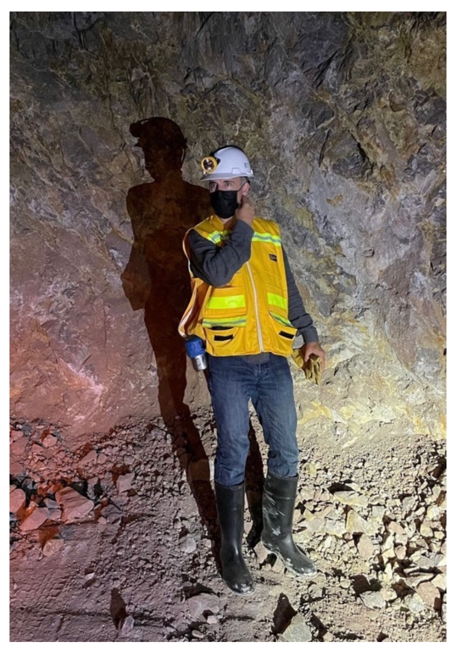
The Company disclaims any intention or obligation to update or revise any forward-looking statements and forward-looking information, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements and forward-looking information, except to the extent required by applicable law.

The forward-looking statements and forward-looking information contained herein are based on information available as of August 26, 2021.

Qualified Person

The scientific and technical information contained in this MD&A relating to the Company's mines and mineral projects has been reviewed and approved by Hernan Dorado Smith, MBA and a Qualified Person by the Mineral and Metallurgical Society of America, Chief Operating Officer and director of GSilver, and a Qualified Person with the meaning of National Instrument 43-101, "Standards for Disclosure of Mineral Projects."

TABLE OF CONTENTS



GSilver’s CEO, James Anderson

PROFILE & STRATEGY

GSilver is a mining development company engaged in reactivating past producing silver and gold mines near the city of Guanajuato, Mexico. The Company is focused on the refurbishment and swift re-commencement of production from its newly acquired El Cubo mine and mill (the "El Cubo Complex") and its nearby El Pinguico project, as well as the delineation of additional silver and gold resources through underground and surface drilling. Both projects are located within 11km of the city of Guanajuato, which has an established 480-year mining history.

The Company is nearing the completion of the refurbishment of the El Cubo Mill, has commenced stockpiling mineralized material at the El Cubo mine and is exploring the historical El Pinguico Mine to evaluate its potential to support production from both stockpile and in-situ mineralized material, while continuing exploration on its other mineral concessions located in the State of Guanajuato, Mexico. The Company intends to process mineralized materials from both its El Pinguico and El Cubo properties at the El Cubo mill beginning in the fourth quarter of 2021 (the "Combined Project"), ramping up to a stable throughput of 22,500 per month.

The Company's focus is to develop mining operations within central Mexico through the advancement of its existing mineral concessions and through acquisition of additional mineral resources, principally in the Guanajuato area, which, in the Company's view, is underappreciated in the mining industry.

GSilver also owns several exploration properties which include Segunda Ampliación Pinguico, Patito I and II mineral concessions located within 15 kilometres ("km") of Guanajuato, Mexico, Analy I and II, located 25 km east of San Miguel de Allende, as well as the El Ruso and Ysabela mineral concessions located within the state of Guanajuato, some 200 km east of Guanajuato city, and the Camila mineral concession located near the El Ruso and Ysabela claims in the state of Querétaro. See *Mine Development and Exploration* below.

The Company has historically funded its acquisition, exploration and development activities through equity financings and a recently established debt facility. The Company may choose to fund additional capital requirements through equity, debt, convertible debenture or other financings, on an as-needed basis, in order facilitate growth or fund operations until the Company achieves positive cash flow.

On March 31, 2020, the Mexican government declared a national health emergency with extraordinary measures due to the COVID-19 pandemic. Numerous health precautions were decreed, including the suspension of non-essential businesses, with only essential services to remain open.

The Company implemented measures to minimize the risks of the COVID-19 virus, both to employees and to the business. The Company is following government health protocols and is closely monitoring the pandemic with local health authorities. The Company has posted health advisories to educate employees about the COVID-19 symptoms, best practices to avoid contracting and spreading the virus, and procedures to follow if symptoms are experienced and infection detected.

Given that the COVID-19 global pandemic is dynamic and the ultimate duration and severity of the pandemic remains unclear, there is increased uncertainty regarding both the timing of and the estimated costs regarding the the Company's anticipated commencement of production at its El Cubo operations in Q4, 2021. Globally, and in Mexico, positive COVID-19 cases continue to spread at a significant rate, while the availability and effectiveness of vaccine distribution and the extent of travel and quarantine restrictions imposed by governments of affected countries remains uncertain. A local outbreak that results in an impediment to supply or market logistics or a change in government health orders remains a significant risk.

In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business including, without limitation, impacts related to employee health, restrictions on travel, the availability of industry experts and personnel, restrictions on mining and processing operations and drill programs, the ability of third parties to meet their obligations to the Company, and other factors that will depend on future developments beyond the Company's control. In addition, the COVID 19 pandemic could adversely affect the economies and financial markets of many countries (including those in which the Company operates), resulting in an economic downturn that could negatively impact the Company's operating results and ability to raise capital.

As of June 30, 2021, the Company held $5,455,156 million in cash and $5,518,754 million in working capital. Management believes there is sufficient working capital to meet the Company's current obligations; however the ultimate duration of the COVID pandemic remains uncertain and it, as well as other potential unforeseen developments, could impact the financial liquidity of the Company.

The Company was incorporated under the *Business Corporations Act* of British Columbia in 1978 and is a publicly traded company on the TSX Venture Exchange ("TSX.v") under the symbol "GSVR" and quoted on the OTCQX over-the-counter market in the USA under the symbol "GSVRF". The Company's head office, as well as its registered and records offices, is located at Suite 578 - 999 Canada Place, Vancouver, British Columbia, Canada, V6C 3E1.

Additional information relating the Company is available on SEDAR at www.sedar.com and the Company's website www.GSilver.com.

HIGHLIGHTS

- On December 18, 2020, the Company signed a binding letter agreement with Endeavour Silver Corp. ("Endeavour") to acquire the El Cubo Complex in Guanajuato, Mexico, 8 kilometres northeast of the Company's El Pinguico silver-gold project. On March 16, 2021, the Company signed a definitive asset purchase agreement (the "Agreement") with Endeavour and on April 9, 2021 El Cubo Complex asset purchase transaction closed. As consideration for the El Cubo Complex, the Company:

  a) paid a non refundable cash deposit of $638,750 (US$500,000) on December 18, 2020.
  b) paid $8,780,800 (US$7,000,000) cash on closing
  c) issued 21,331,058 common shares of the Company on closing with a fair value of $12,347,356 (US$9,862,894)
  d) issued a $3,136,000 (US$2,500,000) unsecured, non-interest bearing promissory note due on April 8, 2022. A market discount rate of 13% was used to calculate $2,855,858 (US$2,212,389) fair value.

  Additionally, the Agreement requires certain contingent payments to Endeavour as follows:

  a) US$1,000,000 upon the Company producing 3,000,000 ounces of silver equivalent ounces at from the El Cubo Complex from material derived from either El Cubo or from the Company's El Pinguico project (Contingent Payment #1). At the Company's option, the Company can issue common shares for up to 50% of Contingent Payment #1, based on the volume weighted average trading price of the Company's common shares for the 10 trading days immediately preceding the date of such payment. The Company has accrued this liability as a long-term payable on its statement of financial position.
  b) US$1,000,000 if the London Bullion Market Association ("LBMA") spot price of gold closes at or above US$2,000 per ounce for 20 consecutive trading days within two years after closing.
  c) US$1,000,000 if the LBMA spot price of gold closes at or above US$2,200 per ounce for 20 consecutive trading days within three years after closing.

- On March 11, 2021, the Company completed a private placement for gross proceeds of $16,950,000, consisting of 56,500,000 units at $0.30 per unit. Each unit consists of one common share and one share purchase warrant, where each warrant is exercisable at $0.45 per share for a period of 2 years. In connection with the private placement, the Company paid finder's fees of $395,152, issued 518,139 common shares and issued 1,648,669 finder warrants. The warrants issued as finders' fees have the same terms as the warrants issued under the private placement.

- On April 5, 2021, the Company filed a preliminary economic assessment ("PEA") on the Combined Project (See *Mine Development and Exploration - El Cubo / El Pinguico Preliminary Economic Assessment*), completed by Behre Dolbear and Company (USA) Inc, ("Behre"). According to the Company's recently completed PEA the Combined Project contains total indicated resources of 718,655 tonnes grading 160 grams per tonne ("gpt") silver ("Ag") and 1.90 gpt gold ("Au"), or 306 gpt AgEq, which equates to 7.2 M oz AgEq, and total inferred resources of 1,453,000 tonnes grading 214 gpt Ag and 2.78 gpt Au, or 435 gpt AgEq, which equates to 20.4 M oz AgEq. These estimates use a 1:80 ratio for Au and Ag prices.

  Behre prepared a discounted cash flow model for the Combined Project to determine the Net Present Value (NPV), Internal Rate of Return (IRR), Initial Capital and Sustaining Capital, and payback period. Cash flow estimates were prepared on an after-tax basis and in accordance with NI 43-101 Standards of Disclosure for PEA studies, using two Base Case metal prices of $1,527 for gold and $19.49 for silver. The PEA considers a plan to ramp up to a 750 tonne-per-day ("tpd") operation, with an initial mine life of 7 years. On an after-tax basis, the Combined Project generates a Base Case NPV (5%) of $32.9 million and an IRR of 105%, excluding El Cubo acquisition costs. Using commodity prices of $22.41/oz Ag and $1,756/oz Au, the after-tax NPV (5%) is $79.0 million and the IRR is 344%.

  Behre calculates a Base Case payback period of 1.87 years. Behre's PEA provides a high-level view of GSilver's plan to process material from both El Pinguico and El Cubo at a centrally located mill.

- On June 1, 2021, the Company signed a definitive agreement with European based metals trading firm OCIM group to obtain a USD$7.5 million financing in the form of a silver and gold loan. On July 28, 2021, the Company drew down the loan.

- On June 9, 2021, the Company announced it was changing its name from Vangold Mining Corp. to Guanajuato Silver Company Ltd and began trading on the TSX-v under the symbol GSVR and on the OTCQX as GSVR.F.

- On July 27, 2021, the Company entered into a 17-month contract with MGA Contratista Minera S.A. de C.V. ("MGA") for contract mining services.

- In the second quarter of 2021, the Company made some significant changes to its management (both in Canada and Mexico) and Board of Directors to add depth and strengthen the team as the Company rapidly grows the business as follows:

  - On May 12, 2021, Ramon Davila joined the Board of Directors. Mr. Davila has extensive experience in the mining industry with a 14-year tenure on the board of directors of First Majestic Silver Corp., as well as 10 years as its Chief Operating Officer; in 2016 Mr. Davila served as the Minister of Economic Development for the State of Durango from 2016 to 2020.

    In addition, on May 12, 2021 Hernan Dorado was appointed as the Company's Chief Operating Officer and Richard Silas was appointed as Vice President, Corporate Development and Corporate Secretary. Mr. Dorado previously worked with New Gold Inc. in Canada and Australia as well as Omya group, where he led teams in Mexico, Brazil, Ecuador and the Dominican Republic. Mr Silas has over 25 years of experience in management roles and board positions of public companies, principally in the mining industry.

- On April 28, 2021, Robert Sedgemore was appointed the Director of Mill Commissioning. Mr. Sedgemore is a process engineer with 25-years of international experience in the mining industry involved in the design, construction, commissioning, and optimization of mineral processing plants in multiple jurisdictions worldwide including South America.

- On April 1, 2021, Lisa Dea was appointed as the Chief Financial Officer of the Company. Ms. Dea has been a CFO for over 15 years in various TSX, TSX-v and CSE listed companies including being the CFO of Silvermex Resources Inc. (before being acquired by First Majestic Silver Corp.)

GSilver's COO Hernán Dorado Smilth (left) with and Miguel Gonzalez (El Pinguico mine captain)

MINE DEVELOPMENT AND EXPLORATION

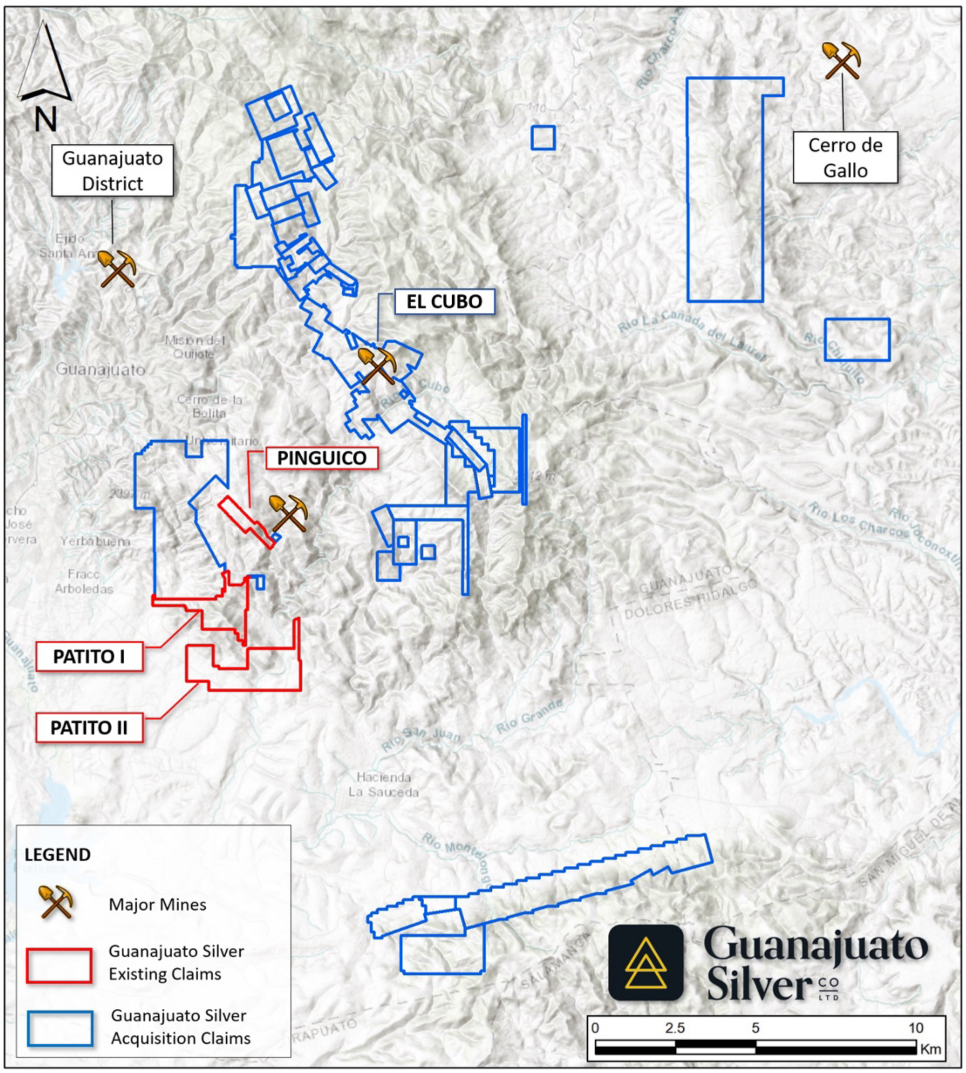
The Combined Project is located within the major epithermal mineral vein system common to the Guanajuato area and together share many of the same geological, mineralogical, metallurgical characteristics and mining methods. El Cubo is approximately 8 kilometers (km) from El Pinguico. It is anticipated that both properties will utilize El Cubo's existing mill infrastructure and administration facilities, processing blended (or campaigned) mineralized material from the El Cubo and the El Pinguico projects.

The El Pinguico property ("El Pinguico") is located approximately 7 km southeast of the City of Guanajuato and 8 km southwest by road from the El Cubo property. Due to the proximity of Guanajuato, the area offers excellent infrastructure with paved and well-maintained gravel district roads, local grid power to both projects, as well as a local skilled labor force.

Mining on the El Cubo property has occurred since the 17th century. In the 19th and 20th centuries, mining at El Cubo focused on northwest striking veins known as the Villalpando, Dolores, La Loca, and La Fortuna.

According to the Company's recently completed PEA from Behre Dolbear and Company (USA) Inc, ("Behre") the Combined Project contains total indicated resources of 718,655 tonnes grading 160 grams per tonne ("gpt") silver ("Ag") and 1.90 gpt gold ("Au"), or 306 gpt AgEq, which equates to 7.2 M oz AgEq, and total inferred resources of 1,453,000 tonnes grading 214 gpt Ag and 2.78 gpt Au, or 435 gpt AgEq, which equates to 20.4 M oz AgEq. These estimates use a 1:80 ratio for Au and Ag prices.

The map below outlines the Company's claims in the Guanajuato region.



El Cubo Complex

The Company commenced refurbishment of the El Cubo mill in April 2021 and is on track to begin processing mineralized material from both its El Pinguico and El Cubo properties (the "Combined Project") at the mill beginning in in the fourth quarter of 2021, ramping up to a production throughput of approximately 22,500 tonnes per month.

Crews have dismantled and cleaned the ball mills and have completed a mechanical inspection. Mill number 3 is in excellent condition, with ball mills numbers 1 and 2 needing some additional maintenance work, which was anticipated in the Company's due diligence process prior to the acquisition. The majority of critical parts for all ball mills have arrived, with the liners set to arrive on August 24, 2021. Refurbishment work is well underway.

Two crushers were ordered by the Company in anticipation of restarting the plant. A used secondary crusher, a Symons 4.25ft Standard in excellent condition, was sourced within Mexico and a new tertiary crusher, also a Symons 4.25ft Standard, was sourced in the USA. On August 11, 2021, both crushers were craned into the plant and installed.

Crane winching one of two Symons 4.25ft crushers into the El Cubo mill

Complete electrical re-wiring is also currently underway with over 8 km of wires being installed while additional general planning, maintenance, and refurbishment continues.

Crews began general mine clean-up ahead of schedule and the Company's crews and scoop trams have now completed the rehabilitation of the haulage tunnels, removing previously blasted material from the main Dolores access portal to the 11-1850 and 7-2175 and Cebolletas stopes. These three stope areas exist within the main Villalpando vein structure, (the "Villalpando Stopes") and is where the Company intends to focus its El Cubo mining efforts for the next 12-18 months. The Company's engineers estimate that the Villalpando Stopes could consistently provide up to 15,000 tonnes of mineralised material per month once mining ramps up to full capacity and milling re-commences in the fourth quarter of 2021.

The Company decided to focus on these stopes initially for several reasons: they are readily available, with infrastructure consisting of 4x4m wide access and ramps, they have previously been drilled and sampled by the former owner/operator, Endeavour, and the Company's engineers have concluded that ample drilling and sampling have been conducted to establish areas to blast mineralized material and begin stockpiling that material on surface. Crews have cleaned these access routes, installed new lighting and ventilation services, and have cleared and re-established emergency exit routes from within the mine. The Company is planning to conduct additional infill and expansion drilling in these areas, primarily for grade control purposes.

The Villalpando Stopes are just a few of the stopes where mining had previously occurred prior to shutdown of the mine in November 2019. There are numerous other areas of the mine exist where the Company believes it will be able to take the same approach, including at the Dolores North, Dolores South, La Loca, San Eusebio, and Asuncion vein structures.

In August 2021, the Company began blasting, mining, mucking and stockpiling of mineralized material at the Company's patio at El Cubo and currently has approximately 4000 tonnes available for processing. The Company plans to continue stockpiling mineralized material in anticipation of the plant commissioning and the commencement of production.

As discussed in the Company's PEA (see news release dated February 16, 2021), the Company plans to use contract miners in the early stages of its operations at El Cubo. During the week of June 14, representatives of eight different mine contractor groups visited El Cubo. GSilver received bids from six of these groups and after a critical review of all the bids, selected MGA Contratista Minera S.A. de C.V. ("MGA"). MGA has over two decades of experience and has provided mine contracting services to leading companies in Mexican mining including Grupo Mexico, Goldcorp., Fresnillo PLC, Endeavour and First Majestic Silver.

The Company's personnel continue to study whether combining material from the two deposits or treating material from the deposits separately would generate higher metallurgical recoveries. Metallurgical testing of material from El Cubo and El Pinguico is ongoing at third party laboratories. As part of the refurbishment of the El Cubo Complex, the Company is establishing an internal chemical and metallurgical laboratory which is anticipated to be complete by the fourth quarter in 2021.

At the anticipated run rate of 22,500 tonnes per month, there is tailings capacity of 4.5 years at two different dams at the El Cubo Complex. Wood Engineers PLC of Aberdeen, Scotland (Denver, Colorado office) has been engaged as our ongoing tailings facility supervisor and to perform tailings geotechnical studies. The Company is assessing its options to expand its tailings capacity, including new tailings ponds, dry stacking, and hydraulic fill within the past producing open stopes of the El Cubo mine.

The Company's environmental assessment for El Cubo, granted to Endeavour under Mexico's Cambio de Titularidad of the Manifiesto de Impacto Ambiental ("MIA") and authorized by environmental authorities (SEMARNAT) has been transferred to the Company's subsidiary (Obras Mineras El Pinguico SA de CV) that holds the El Cubo Complex. The MIA governs all mining activities such as beneficiation, tailings and waste dumps in Mexico.

The Company is in discussion with several groups regarding the sale of the Company's concentrate once production commences. A detailed analysis of the terms of these proposals are being evaluated by the Company and it is anticipated that an agreement will be reached with purchasing partner in the third quarter of 2021.

Within the El Cubo mine near the main Delores mine portal

El Pinguico Mine Project

The Company has a 100% interest in the historic El Pinguico mine property which consists of two mining concessions covering 71 hectares, located approximately 7 km southeast of Guanajuato city in Guanajuato State, Mexico, and contains the past-producing high-grade El Pinguico-El Carmen silver-gold mine. The historic mine has two main access adits: the El Carmen Adit and the Sangria del Carmen Adit. The historic El Pinguico mine runs sub-parallel to the Veta Madre (Mother Vein) and is located 2 km from Mina Las Torres, owned by Fresnillo PLC.

The property was originally subject to a 4% net smelter return ("NSR") and a 15% net profits interest ("NPI") on minerals recovered from existing stockpiles of mineralized rock and a 3% NSR and 5% NPI on all in-situ mineralization. On August 18, 2020, as amended on November 8, 2020, the Company entered into an option agreement to repurchase the 4% NSR, 3% NSR and the 5% NPI from the vendor. The 15% NPI remains in place on minerals recovered the existing stockpile of surface and underground mineralized rock.

The Company also owns 302 hectares of surface land that includes the El Pinguico mine property and provides significant land area for mining infrastructure, development and construction. The Company has a Use of Land permit, issued by the Guanajuato municipality, that provides the Company with all the rights and entitlement for initiating necessary infrastructure work and preparing the surface stockpile for production. These activities include road construction, building structures, hauling and waste dumping activities.

In March 2021, the Company acquired a further 89.6 hectares of land that covers portions of the surface of the El Pinguico mining claims for $22,773. The Company also has an option to purchase 212.98 hectares covering additional portions of surface area of the El Pinguico mining claims for $44,727 and has initiated the process for acquiring this land package..

On February 2020, the Company signed a Surface Land Access Agreement for the mine with the Ejido Calderones, the local Ejido group. The Land Access Agreement allows for unrestricted road access for exploration, mining equipment, and personnel to El Pinguico through the community of Calderones. The agreement is for a period of 15 years. Under the terms of the agreement, the Company paid $7,100 and will make annual payments of approximately $3,200 adjusted annualy for inflation.

The surface access and the Company's land use agreements, together with its existing mining rights, provide the Company with all key land components necessary to carry out its current planned exploration and operational activities at the El Pinguico Mine Project.

From 1906 to 1913, the El Pinguico/Carmen mine produced 250 tonnes per day from shrinkage mining techniques, liberating high-grade silver and gold ore at cut-off grades over 15 grams per tonne ("g/t") gold equivalent ("Au eq"). Due to local and national civil unrest, the El Pinguico mine closed prematurely, abandoning large surface and underground stockpiles of mineralized material.

The Guanajuato Mining District is mainly characterized by epithermal deposits associated with continental tertiary acid volcanism. The El Carmen-El Pinguico vein is considered an extension of the Veta Madre vein system, the main vein in the historic Guanajuato Silver District; its depth extent is still unknown. The mineralization consists of a mixture of native gold and silver, polybasite, pyrargyrite, tetrahedrite, marcasite, sphalerite, galena, pyrite and chalcopyrite. The property has excellent access routes, communications, basic mining infrastructure and proximity to processing plants.

El Pinguico Shaft

The Company continues its exploration program of the El Pinguico shaft. In the third quarter of 2020, the Company's crew entered the El Pinguico shaft and safely accessed the #6 adit level in order for the crews to clean and refurbish the 5th and 6th adit levels before attempting to reach the 7th (or Sangria) adit level. The shaft entrance and surrounding area were cleaned and prepared ahead of the installation of a one tonne hoist onto a metal headframe and the installation of a large winch, which was accomplished late August of 2020. A diesel generator was installed to power the winch, and crews can begin removing debris material from the bottom of the shaft. A protective cage was also constructed, which allows crews to operate safely while work is done on the hoist and headframe approximately 150 metres (or "m") directly above.

Access to the #7 adit had been blocked approximately 75 m from its portal due to a rock fall at a fault. The Company used a mechanized scoop-tram to aid in the removal of this material and has re-enforced the back, or "roof", of the adit with steel beams at the area of the rockfall. Crews observed and sampled approximately 40 m of vertical extent of the vein extending from the 4th to the 6th levels and near to the Company's underground stockpile. This vein exposure was channel sampled every 4 m along the vertical extent of the exposure.

The El Carmen adit (Level 4) at El Pinguico

During the month of December 2020, the Company completed clearing the Pinguico shaft of fallen rocks and debris to adit Level 7 to access this area of the El Pinguico mine. This shaft was one of three exterior shafts that were used historically at the mine prior to production ending in 1913.

Within Level 7, crews can now advance about 40m north of the Pinguico shaft before a rockfall of underground stockpile material blocks the path; however, a continuation of the Level 7 adit to the north can be observed through the fallen rock. Crews will remove this rock and stabilize the area before advancing north with the plan of sampling the bottom of the underground stockpile through historic draw points from the main El Pinguico stope.

With the Pinguico shaft now cleared, the Company will also inspect adit Level 7 to the south. Similar to the blockage in the north, there is a rockfall blocking immediate access to the south approximately 80m south of the Pinguico shaft, but as in the north, the continuation of the adit to the south can be seen through this rockfall. Crews will work to clear this material since this southern extension of the adit may provide a potentially safe and inexpensive haulage way to bring the underground stockpile material as well as in-situ vein material to surface for onward delivery to the El Cubo mill for processing. The Company will study this approach for bringing the underground material out of the mine; however fully refurbishing the El Pinguico shaft is also a potential alternative.

The underground stockpile consists of material that in 2012 the Mexican Geological Survey (SGM) agency determined to be 148,966 tonnes in size. In 2017, the Company conducted a trenching program at the top of the underground stockpile. This program resulted in a weighted average of all of the trench samples of 1.75 gpt Au and 183 gpt Ag, (323 gpt AgEq), which is similar to the grades quoted in 2012 by SGM of 1.66 gpt Au and 143 gpt Ag. The Company is now in a better position to sample the bottom of the underground stockpile properly and determine whether the silver and gold grades, established by the Company's trenching in 2017 on the top of the stockpile, extend to the bottom of the stockpile.

During the first four months of 2021, the Company cleared access along adit Level 7, north of the El Pinguico shaft, for approximately 150m, or one third of the length of the underground stockpile. Metallurgical samples from the underground stockpile have been taken from draw points along adit Level 7, as well as from 'windows' accessing the stockpile from adit Levels 5 and 6. These metallurgical samples have been sent to SGS Labs in Durango, Mexico for analysis with results expected in due course.

The following are the results of assays of channel samples taken from safely accessible pillars and stope walls within an ore chute of the El Pinguico vein system between the 4th and 6th levels (from approximately 130 m to 185 m below surface), covering an area approximately 55m in height by 60m in width and where the stoped-out area, plus remaining vein material, ranges from 1.5m to 5.5m wide. This exposure is adjacent to the El Pinguico shaft where crews continued to remove material blocking access to the #7 adit level.

Sample number	Sample length	Gold – gpt	Silver – gpt	AuEq – gpt*	AgEq – gpt*
Q96141	1.6m	1.72	629.6	9.59	767.2
Q96230	1.8m	0.80	273.7	4.22	337.7
Q96231	1.3m	0.84	146.3	2.67	213.3
Q96232	1.3m	4.00	403.6	9.05	723.6
Q96233	0.9m	3.22	480.5	9.23	738.1
Q96235	1.0m	1.68	280.0	5.18	414.4
Q96236	1.0m	4.11	430.7	9.49	759.5
Q96237	1.2m	2.15	304.0	5.95	476.0
Q96238	1.6m	0.80	157.0	2.77	221.3
Q96239	1.2m	4.59	465.9	10.41	833.1
Q96240	0.4m	2.43	599.4	9.92	793.8
Weighted average grades		2.5	363.0	6.71	536.8
		gpt Au	gpt Ag	gpt AuEq	Gpt AgEq

*Gold equivalent and silver equivalent numbers are calculated at 80:1 silver to gold price ratio.

On December 1, 2020, the Company reported assays from underground channel sampling at El Pinguico project with results from 267 channel samples ranging in sample width from 0.4m to 2.2m and averaging 1.1m were taken from vein exposures of the Pinguico vein along adit level 4, and from the San Jose vein along crosscuts parallel to adit level 4.

Sampling of Adit Level 4:

Significant silver and gold values from this sampling tend to be located in 'clusters' and are more meaningful when the higher-grade samples are grouped over significant strike lengths of the vein. These runs of noteworthy assays over material distances form continuous channel samples which are shown in the table below. Stopes above adit level 4 were generally mined out historically between c.1902 and 1913. This recent sampling suggests that good grades by today's standards exist below adit level 4 and were passed over by the historical miners as the grades they encountered did not exceed the very high cut-off grade utilized at that time. The Company's sampling established drill targets that may form pillars of mineralization between adit level 4 and adit Level 7.

Adit Level 4 – north to south:

'Pillar' Target area	Strike length (m)	Vein Name	Grade Weighted Average Silver - gpt	Grade Weighted Average Gold - gpt	Grade Weighted Average AgEq - gpt
Pinguico North	47	Pinguico	256	1.7	394
Pinguico Shaft	15	Pinguico	733	5.0	1136
Pinguico South A	13	Pinguico	209	1.35	230
Pinguico South B	30	Pinguico	98	1.37	207
Pinguico South C	18	Pinguico	100	1.84	268
Pinguico South D	37	Pinguico	66	0.83	132
Pinguico South E	13	Pinguico	131	1.22	215

Sampling of San Jose Vein:

The San Jose Vein runs approximately 60m to the east and roughly parallel with the Pinguico vein, before the two veins merge further north. Material sampled from the San Jose vein appears to have more erratic values, however some of the assays have excellent grades. New historical data recently discovered by the Company suggests that the San Jose vein runs parallel to the Pinguico vein to the south for close to 700m in strike length. This theory was successfully tested by drill holes P21-01 to P21-04 of the Company's 2021 drill campaign.

San Jose #1 parallel drift – north to south:

'Pillar' Target area	Strike length (m)	Vein Name	Grade Weighted Average Silver - gpt	Grade Weighted Average Gold - gpt	Grade Weighted Average AgEq - gpt
San Jose NW Pillar	25	San Jose	154	1.9	303
San Jose Pillar	30	San Jose	86	1.0	163
San Jose East Pillar	13	San Jose	131	1.2	216

Bulk sample and metallurgical test

On June 2, 2020, the Company completed its bulk sample and metallurgical test, which consisted of delivering a total of 1,039 wet tonnes of mineralized material from the El Pinguico mine project for processing at Endeavour's nearby Bolanitos mill. The material used for this test came exclusively from the Company's surface stockpile of waste material, which was left behind when mining ceased at El Pinguico in 1913. Recoveries of gold and silver were very good with average recoveries of gold of 75.2% and silver of 60.4% At times during the milling process the Company observed even higher gold and silver recoveries of up to 77.7% for gold and 67.2% for silver. Different grinding size and residency time within different circuits at the Bolanitos mill accounts for much of these differences. The entire process helped gain a better understanding of how these higher recoveries were reached and how they can be replicated in the future. The Company may also pursue additional lab tests in order to replicate the higher numbers and potentially apply that knowledge at it's El Cubo mill.

Drilling

In October 2020, the Company purchased a portable drill rig, an Explorer – 75E core drill, for use underground at El Pinguico. Among other desirable attributes, this drill is small enough to fit into many of the adits, drifts, and galleries of El Pinguico's old workings, while still being able to target the long strike length of potential new in-situ material of the main El Pinguico and San Jose vein systems. The machine is rated capable for drilling 200 meters of HQ size core, or 430 meters of NQ size core. The Company has also purchased 200m and 430m, respectively, of the corresponding drill casing in order to have the capacity to drill holes of those lengths.

This drill rig was delivered in January 2021. Drill crews initially drilled two test holes to 'break-in' the drill, testing its capabilities while drilling at different speeds and moving from HQ to NQ size drill core. These holes were drilled outside the mine, in the patio of the portal of adit Level 4 and were not intended as traditional exploration holes.

However, both of these drill holes though, P21-01 and P21-02, encountered noticeable visible vein material, which the Company now interprets to be southern extensions of the San Jose vein, exposures of which can be seen in crosscuts off of adit Level 4 within the mine approximately 500m to the north. A third hole was completed to test the area for further vein extensions; P21-03 intersected several intervals of significant gold and silver values including 4.05m of 116 gpt AgEq, and an additional higher-grade interval of 0.55m of 674 gpt AgEq.

Drill Hole	From	To	Interval (m)	Au gpt	Ag gpt	AgEq gpt	Description / Interpretation
P21-01	79.50	80.10	0.60m	0.46	81	118	San Jose Splays
	84.73	85.23	0.50m	0.15	48	60	San Jose Splays
	87.96	88.46	0.50m	0.25	50	70	San Jose Splays
	93.76	95.25	1.49m	0.28	34	56	San Jose Splays
P21-02	79.65	80.20	0.55m	0.11	27	36	San Jose Splays
	82.30	83.00	0.70m	0.11	13	22	San Jose Splays
	116.25	117.00	0.75m	0.17	15	29	San Jose Vein
P21-03	87.9	88.40	0.50m	0.38	88	118	San Jose Alto
	97.95	102.00	4.05m	0.68	62	116	San Jose Vein
including	99.15	100.15	1.00m	1.50	122	242	San Jose Vein
	106.8	107.35	0.55m	2.11	505	674	San Jose Bajo

The drill was then moved inside the El Pinguico mine, approximately 500m along adit level 4, then east for about 80m along the San Jose #1 crosscut where the Company has established a drilling station where drilling can proceed westward and target both the San Jose and El Pinguico vein systems. Drill holes P21- 05 to P21- 08 were drilled to the west at various azimuths and dips. Drill holes P21-05 and P21-06 were significant in that they cut long sections of alteration and crossed both the San Jose and El Pinguico structures; however only moderate widths of moderate silver and gold grades were encountered at the El Pinguico contact. Drill hole P21-07 was interesting as it immediately encountered quartz and carbonate material of an unknown vein. Further down the hole, at the San Jose contact the drill hole encountered broken, unconsolidated material (approximately 35% recovery) and a void causing us to abandon the hole and move on to Hole P21-08. With numerous intervals of good grade material, and a 0.75m intersection of almost 9 gpt gold, this hole bodes well for further exploration deeper and to the north.

Drill Hole	From	To	Interval (m)	Au gpt	Ag gpt	AgEq gpt	Description / Interpretation
P21-05	172.90	173.40	0.50m	0.42	29	63	El Pinguico vein
P21-06	151.25	153.00	1.75m	0.68	35	89	San Jose vein
P21-07	2.40	2.90	0.50m	0.35	83	111	Unknown vein
	4.15	4.60	0.45m	0.32	66	92	Unknown vein
	83.60	84.65	1.05m	0.51	12	53	(35% rec.) San Jose vein
P21-08	102.25	103.90	1.65m	2.45	125	321	(60% rec.) San Jose vein
	158.60	159.10	0.50m	0.21	48	65	El Pinguico Splay
	169.20	171.25	2.05m	3.79	100	403	Alto Pinguico
including	169.70	170.45	0.75m	8.81	208	913	Alto Pinguico
	174.60	175.60	1.00m	0.93	41	115	El Pinguico vein
	176.15	177.15	1.00m	1.65	45	177	El Pinguico vein

The Company continued with holes P21-09 and P21-10, both of which cut through intervals of both the San Jose and El Pinguico veins from the San Jose #1 drill station. Especially noteworthy, P21-10 was drilled 'up' (above the horizon) at a +30-degree angle to test for extensions of vein material above El Pinguico's previous mining during the early 1900s. This drill hole returned 0.90m of 5.96 gpt Au and 476 gpt Ag or 953 gpt AgEq, within a broader interval of 8.10m of 1.00 gpt Au and 93 gpt Ag.

The Company is modeling variability within the vein system to determine how best to target areas where width and grade become more favourable. The wider thicknesses - 8.10m in P21-10 and 7.95m in previously released hole P21-08 are potentially very attractive mining widths in a typically narrow vein mining jurisdiction.

Drill Hole	From	To	Interval (m)	Au gpt	Ag gpt	AgEq gpt	Description / Interpretation
P21-09	91.2	91.85	0.65m	0.49	38	77	San Jose vein
	165.05	165.70	0.65m	0.65	51	103	El Pinguico vein
P21-10	57.90	59.50	1.60m	0.22	10	28	San Jose vein
	107.55	115.65	8.10m	1.00	93	173	El Pinguico vein
including	113.00	113.90	0.90m	5.96	476	953	El Pinguico vein

1. Note: All Silver Equivalent values are calculated on a long-term silver to gold price ratio of 80 to 1 as used in the Company's recently published NI43-101 PEA report written by consultants Behre Dolbear and Company (USA), Inc. No attempt has been made by the Company to establish the true width of veins reported in this MD&A as the Company has determined that it would be premature to do so.

GSilver Exploration Superintendent Lauro Barragan

New modelling of drill holes P21-08 and P21-13 (drilled on the same section, and at 45 degrees and 60 degrees respectively), suggest that the San Jose vein and El Pinguico veins get closer and may merge at depth. Once assay data has been received for holes P21-11 through P21-14, the Company plans to create plan and section images for its website, to better illustrate for readers its developing understanding of the known vein systems.

Now that the general location, apparent widths, and orientation of the San Jose and El Pinguico veins have been established in proximity to the San Jose # 1 drill station, geological staff are designing and budgeting a drill program that will attempt to connect vein material below the #7 adit level, from the San Jose #1 drill station to within 75m of the #7 adit portal – a distance of some 450m. The drill program will consist of approximately 3800m of drilling in approximately 18 drill holes to be completed between now and December 2021. If drilling is successful, the Company plans to engage a third party to initiate an NI 43-101 compliant resource estimate, which will be the first in-situ resource completed at El Pinguico, will complement the already established resources of surface and underground stockpile material and will help inform continued exploration of the El Pinguico project.

Blasting Permit Issued for El Pinguico

On May 3, 2021 the Company announced it had received a construction explosives permit for its El Pinguico project, which will allow the Company to more expeditiously remove material away from adit Level 7, as well as other areas of the historic mine in anticipation of accessing both stockpiled material and fresh in-situ vein material in the fall. This material will be available for processing at the Company's El Cubo mill.

El Cubo / El Pinguico Preliminary Economic Assessment

During the month of February 2021, a PEA on the Combined Project was completed by Behre Dolbear & Company (USA), Inc., an independent mineral industry advisory.

The Mineral Resource estimate used as the basis for this PEA was derived from the previous NI 43-101 Technical Report and computer models developed by Endeavour in 2016 for the El Cubo property and the NI 43-101 Technical Report for the El Pinguico property by GSilver in 2017.

The remaining Mineral Resources in 2021, at El Cubo, are shown in the Table below and total approximately 1.96 million tonnes.

Table 1.1
Estimate of the Remaining El Cubo Mineral Resources as of January 31, 2021

Classification	Tonnes	Silver		Gold		Silver Eq
		g/t	Oz	g/t	Oz	g/t
Measured	None	-	-	-	-	-
Indicated	508,055	194	3,169,000	2.44	39,860	389
Inferred	1,453,000	214	10,004,000	2.78	129,900	435

Notes:
1. Silver Equivalent calculated using 1 ounce of gold is equal to 80 ounces of silver, on the basis of the average 5-year historic silver and gold prices.
2. Numbers have been rounded

The El Cubo and El Pinguico Mines are similar mineralogically and typical of the Guanajuato Mining District. Mineralization is open-ended due to a lack of exploration drilling and development. Vein mineralization is normally 1 to 2 m wide, with mineralized breccia zones of up to 10 m wide. Typical of this style of mineralization, economic concentrations of silver and gold occur in ore shoots distributed vertically and laterally between barren or weakly mineralized portions of the veins. Bonanza grades may occur at the site of vein intersections, such as the nearly perpendicular San Nicolas-Villalpando vein intersection.

El Cubo and El Pinguico mineralization is typical of the classic high-grade silver-gold, banded epithermal vein deposits with low sulfidation mineralization. Silver occurs in dark sulfide and sulfosalt-rich bands within the veins, with little mineralization but significant alteration minerals in the surrounding wall rocks. Native silver occurs primarily in the near surface oxidized zones. Particulars of the PEA are as follows:

- Base Case metal prices used in the PEA are US$1,527 per gold ("Au") ounce ("oz") and US$19.49 per silver ("Ag") oz. These prices are based on long-term consensus average prices. A silver equivalent ("AgEq") price ratio of 1:80 (Au:Ag) applies throughout to Mineral Resources and production.

- Mineral Resource Estimate Total Indicated Mineral Resources for the Combined Project are 718,655 tonnes grading 160 gpt Ag and 1.90 gpt Au, or 306 gpt AgEq, which equates to 7.2 M oz AgEq using a conversion ratio of 1 oz of Au is equivalent to 80 oz of Ag.

- Total Inferred Mineral Resources for the Combined Project are 1,453,000 tonnes grading 214 gpt Ag and 2.78 gpt Au, or 435 gpt AgEq, which equates to 20.4 M oz AgEq using a conversion ratio of 1 oz of Au is equivalent to 80 oz of Ag.

- 7 Year Economics – Behre prepared a discounted cash flow model for the Combined Project to determine the Net Present Value (NPV), Internal Rate of Return (IRR), Initial Capital and Sustaining Capital, and payback period. Cash flow estimates were prepared on an after-tax basis and in accordance with NI 43-101 Standards of Disclosure for PEA studies. The PEA considers a plan to ramp up to a 750 tonne-per-day ("tpd") operation, with an initial mine life of 7.0 years. On an after-tax basis, the Combined Project generates a Base Case NPV (5%) of US$32.9 million and an IRR of 105%, excluding El Cubo acquisition costs. Using commodity prices of US$22.41/oz Ag and US$1756/oz Au, which are +15% above the Base Case, the after-tax NPV(5%) is US$79.0 million and the IRR is 344%. Behre calculates a Base Case payback period of 1.87 years.

- Operating Costs – Dividing Behre's Total Operating Costs of US$124.4 million by the life of mine ("LOM") AgEq oz of 13.2 M to be recovered from the Combined Project, gives GSilver an operating cost per AgEq ounce of US$9.42 over seven years of production, positioning the Company's operation to be attractive in nearly all commodity price scenarios.

- Opportunities to Grow and Optimize – Given that planning for the Combined Project has been advanced through the PEA stage within only a five (5) month period, numerous opportunities remain for growth and optimization. The most significant immediate opportunities are the potential to expand the Company's Mineral Resources – both at El Cubo and El Pinguico through exploration drilling and development, which is now ongoing at El Pinguico. Other noteworthy opportunities include optimization of the surface stockpile metallurgy and recoveries, which the Company remains confident can be improved during the mill's recommissioning process.

Please refer to News release dated February 16, 2021 and the Company's 43-101 filed April 5, 2021 for more details.

Other Mexican Claims

The Company has 7,800 hectares of additional mining claims within the Guanajuato and Querétaro regions as follows:

a) Patito I and II concessions – located approximately 1.5 km southwest, and 3.0 km due south of the El Pinguico Project.
b) The Analy I & Analy II concessions – located 100 km east of the city of Guanajuato, Mexico
c) El Ruso, Ysabela and Camila concessions – located near the northern boundary between the States of Guanajuato and Querétaro in central Mexico
d) Over 7,000 hectares of mining claims south and east of the city of Guanajuato acquired from Endeavour as part of the El Cubo Complex transaction.

A 2.5% NSR exists on the seven concessions (a, b, and c above) of which, one half (1.25%) may be repurchased for $500,000.

OMPSA acquired the Patito I and Patito II concessions to expand its land position adjacent to the El Pinguico mine project. The remaining five concessions are owned by GSilver's other Mexican subsidiary, CanMex Silver S.A. de C.V.

Patito I and Patito II

Providing additional mineral rights to the El Pinguico Project, these claims are in close proximity to and along strike from the Veta Madre system. Several vein structures are present, possibly representing a parallel vein system to the Veta Madre and El Pinguico veins. Host rocks are sub-aerial acid volcanics. Numerous Au-Ag rock chip anomalies have been identified by historical sampling. The mineralization is associated with brecciation and mesothermal/epithermal quartz veining/stockwork and silicification controlled by narrow structures 0.3 m to 1.5 m wide at surface with potential for expansion at depth.

Analy I and Analy II

These claims represent a total land area of 723 hectares, located within 50 km of Guanajuato, in the middle of the prolific Silver Belt. The claims are located in an old Ag-Pb-Zn mining area that has never been explored using modern methods, providing potential for new discoveries.

El Ruso

The El Ruso claim area is located adjacent to an old mercury ("Hg") prospecting pit and several other small historical Hg and Au-Ag mines are present in the area, including the El Nacimiento skarn deposit. No historical production/grade records are available. Historical and current fieldwork have returned high-grade Au and Ag assays.

Ysabela and Camila

These are granted claims in an old Ag-Pb-Zn-Au mining area in the Sierra Madre Oriental. The Camila claim boundary is located on the abandoned Santa Ana Ag-Pb-Zn mine, a manto or skarn deposit that operated intermittently from the late 1800s to 1995. Several other abandoned Ag-Pb-Zn mines are located on the claim boundary, including the Guadalupe Mine, an Ag-Pb-Zn mine that operated intermittently from the late 1800s to about 1985, with maximum production prior to closure of 1,000 tonnes per day. A 200 m deep shaft is connected to a lower 530 m long haulage and ventilation tunnel. An inactive mill site occurs within the claim. The area has never been explored using modern exploration methods and has never been drilled, offering significant mineralization potential. The area is easily accessible by road and the terrain is amenable to rapid screening by conventional reconnaissance exploration techniques.

Exploration Outlook

El Cubo

The Company's exploration efforts at El Cubo will be focused on two fronts: a) drilling expansion of the main NW striking Dolores and Villalpando vein systems and b) exploration of numerous NE striking, perpendicular, transversal, veins. These transverse veins are well known in the region, are usually narrow but are often historically high grade and with proportionately higher gold grades. Management feels these veins offer an overlooked exploration opportunity, and will begin mapping, sampling, and drilling numerous such targets both underground and from surface. In August of 2021, the Company's exploration team began mapping the El Cubo property in order to expand the potential mineralized structures located in the southern sections of the El Cubo property.

El Pinguico

GSilver's initial drilling success at the southern portion of the El Pinguico and San Jose veins, using the Company's small but effective diamond drill principally from underground drill stations, is proving highly effective. Narrow, high-grade intervals have been intersected in many of the Company's initial drill holes. Assuming continued success, GSilver plans to undertake an initial resource estimate of the area in the new year.

Gsilver exploration team logging drillcore at El Pinguico

Veta Madre

Further modelling of the El Pinguico vein system, as well as fault structures on the property that have down-dropped stratigraphic sections of the project to the south, have allowed the Company to reinterpret the potential location of the intersection of the El Pinguico vein system with the Veta Madre. Company geologists now feel that drilling the interpreted target from the southern portion of the property may allow drilling to intersect the target at a much shallower distance than drilling at other locations on the property. Plans to permit drill stations in this area and to source an appropriate drill are well advanced.

Other opportunities

GSilver now owns a total of over 7,800 hectares of mining claims in one of North America's oldest and best-established precious metals camps. This land package will serve as the basis for exploration opportunities and growth for many years in the future. Plans to develop and advance these properties are ongoing.

RESULTS OF OPERATIONS

The Company has not yet generated any sales or revenues, nor has it had any extraordinary items or discontinued operations.

Selected Operational Information	For the three months ended June 30		For the six months ended June 30	
	2021 $	2020 $	2021 $	2020 $
Operating expenses	2,036,281	305,249	4,745,750	508,532
Net loss	(2,278,901)	(297,884)	(5,177,550)	(495,062)
Net loss per share – basic and diluted	(0.01)	(0.00)	(0.03)	(0.01)
Weighted average shares – basic and diluted	195,274,906	62,545,001	161,017,332	61,155,180

Selected Statements of Financial Position Information	June 30 2021 $	December 31 2020 $
Cash	5,455,156	5,321,927
Other current assets	3,868,815	380,743
Non-current assets	38,492,277	4,539,553
Non-current liabilities	7,537,869	19,519
Shareholders' equity	36,473,161	9,967,362

Operating Expenses	For the three months ended June 30		For the six months ended June 30	
	2021 **$**	**2020** **$**	**2021** **$**	**2020** **$**
Advertising and promotion	105,047	34,606	244,351	34,606
Depreciation and amortization	168,578	1,749	188,662	3,227
General and administrative	396,400	23,423	464,358	46,640
Management and consulting fees	129,936	94,931	253,620	139,055
General exploration	313,852	6,061	1,080,487	43,922
Professional fees	228,068	50,163	356,837	117,000
Regulatory	70,812	20,332	56,828	24,533
Salaries, bonus and benefits	69,303	-	142,505	-
Share-based compensation	546,495	72,132	1,946,157	84,652
Travel	7,789	1,852	11,944	14,897
	2,036,281	305,249	4,745,750	508,532

Total operating expenses increased by $1,731,032 and 4,237,218 for the three and six months ended June 30, 2021, respectively, compared to the same periods in 2020, primarily due to the ramp up of operations after the acquisition of the El Cubo mine, leading to an overall increase in expenses, capital expenditures and executives and employees throughout the Company. The main fluctuations in operating expenses are as follows:

Advertising and promotion

Advertising and promotion increased by $70,441 and $209,745 for the three and six month period ended June 30, 2021, compared to the same period in 2020, as the Company ramps up its investor relations and marketing activities in conjunction with its acquisition with of the El Cubo Complex.

Depreciation and amortization

Depreciation and amortization increased by $166,829 and $185,435 for the three and six month period ended June 30, 2021, compared to the same period in 2020, due to the acquisition of the El Cubo mill and mine and the corresponding ramp up of operations, including the purchase of eight vehicles.

General and administrative

General and administration expenses increased to $396,400 and $464,358 for the three and six months ended June 30, 2021, compared to $23,423 and $46,640 for the same period in 2020, primarily due to spending on office supplies, information technology support and software across all operations and the Company ramps up operations and increased coverage as a result of the Company's listing on the TSX Venture Exchange and the Company's expanding operations.

Management and consulting services

Management and consulting services increased by $35,005 and $114,565 for the three and six months ended June 30, 2021, compared to the same period in 2020, as the Company strengthens its executive team as the Company executes on its expansion plans.

General exploration costs

General exploration costs increased substantially in the three and six months ended June 30, 2021 to $313,852 and $1,080,487, respectively, compared to $6,061 and $43,922 in the 2020 comparative periods as the Company expanded its drilling program for the El Pinguico project.

Professional fees

Professional fees increased by $177,905 and $239,837 for the three and six months ended June 30, 2021 compared to the same period in 2020 due to engagement of a third-party consultant for the preparation of the Company's PEA on the Combined Project and increased legal and tax fees related to the El Cubo acquisition, equity financing and the OCIM loan.

Regulatory

Regulatory expenses increased by $50,480 and $32,295 for the three and six months ended June 30, 2021 compared to the same period in 2020, due to the Company's acquisition of the El Cubo mine and the associated equity financing.

Salaries, bonus and benefits

During the three and six months ended June 30, 2021, the Company significantly expanded its operations, adding members to the executive team and employees in the Vancouver, Canada office, at the Guanajuato, Mexico office and the El Cubo site, increasing salaries, bonus and benefits to $69,303 and $142,505 for the three and six months ended June 30, 2021, compared to $Nil and $Nil, respectively, in the same 2020 periods.

Share-based compensation

Share-based compensation increased by $474,363 and $1,861,505 for the three and six months ended June 30, 2021, compared to the same period in 2020, due to options granted to employees, consultant and directors as the Company expanded its operations and personnel.

Travel

Travel expenses increased to $7,789 for the three months ended June 30, 2021 compared to $1,852 in the comparative 2020 period due to the increased operational activity as the Company ramped up operation. For the six month period ended June 30, 2021, travel expenses decreased to $11,944 compared to $14,987 in the six months ended June 30, 2020 due to reduced travel in the beginning of 2021 as a result of the ongoing COVID-19 pandemic as much of the Company's investor relations activities and business development were performed online.

LIQUIDITY AND CAPITAL RESOURCES

The Company's ability to generate sufficient amounts of cash, both in the short term and the long term, to maintain existing capacity and to fund ongoing development and exploration, is dependent upon the further discovery of economically recoverable reserves and resources and the ability of the Company to obtain the financing necessary to generate and sustain profitable operations.

The Company will evaluate, from time to time, sales of its common shares to improve the Company's liquidity and working capital position. To the extent that generated by operations during 2021 are less than anticipated or in the event the Company determines it will undertake other projects that are currently not part of its plans and guidance, or if the Company undertakes an acquisition, additional capital may be required. Sources of capital include accessing the private and public capital markets for debt and equity over the next 12 months. Adverse movement in metal prices and unforeseen impacts to the Company's operation may increase the need to raise new external sources of capital, and the inability to access sources of capital could adversely impact the Company's liquidity and require the Company to curtail capital and exploration program and other discretionary expenditures.

	Three months ended		Six months ended	
Cash Flow	June 30 **2021** $	June 30 **2020** $	**June 30 2021** $	June 30 2020 $
Cash used in operating activities	(4,280,600)	(253,232)	(5,603,017)	(465,243)
Cash used in investing activities	(11,193,101)	(1,295)	(11,497,180)	(5,335)
Cash generated by financing activities	1,650,908	1,715,950	17,328,571	1,715,950
Change in cash	(13,758,084)	1,462,132	133,229	1,246,081
Effect of exchange rate changes on cash	64,709	709	(95,145)	709
Cash, beginning of period	19,213,240	328,228	5,321,927	544,279
Cash, end of period	5,455,156	1,790,360	5,455,156	1,790,360

As at June 30, 2021, the Company had cash of $5,455,156 and working capital of $5,518,754 compared with cash of $5,321,927 and working capital of $5,447,328 at December 31, 2020.

Operating activities

Cash used in operating activities was $4,280,600 and $5,603,017 during the three and six months ended June 30, 2021. The significant non-cash adjustments to the net loss of $2,278,901 and $5,177,550 in the three and six months ended June 30, 2021 (June 30, 2020 – $297,884 and $495,062, respectively) was depreciation and amortization of $180,789 and $200,873 (June 30, 2020 – $1,749 and 3,227), share-based compensation of $546,495 and $1,946,157 (June 30, 2020 – $73,132 and 84,652), and a decrease in non-cash working capital of $2,209,127 and $2,904,540 (June 30, 2020 –$29,229 and $58,060). The change in non-cash working capital was primarily due to an increase in accounts payable and accrued liabilities, and loan payable offset by a decrease in amounts receivable and prepaid expenses and deposits.

Investing activities

Investing activities used cash of $11,193,101 and $11,497,180 in the three and six months period ended June 30, 2021 compared with the use of cash of $1,295 and $5,335 in same three and six month period ending June 30, 2020. The significant use of cash during the three and six month period ending June 30, 2021 was the acquisition of the El Cubo Mine Complex and the corresponding property, plant and equipment expenditures to refurbish the El Cubo Mine Complex to bring it back into production.

Financing activities

Financing activities for the six months ended June 30, 2021 increased cash by $17,328,571, compared to increasing cash by $1,715,950 in the same period in 2020. This increase was due to the following equity issuances:

i. On March 11, 2021, the Company completed a non-brokered private placement and issued 56,500,000 units at $0.30 per unit for gross proceeds of $16,950,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at $0.45 per share for a period of three years. In connection with the private placement, the Company paid $341,839 in cash, issued $518,139 common shares at $0.30 per share and 1,648,669 finder's warrants with a fair value of $670,141 as finders fees.

ii. The Company also issued 10,490,590 common shares on exercise of 10,490,590 warrants for net proceeds of $2,548,354 and issued 1,233,334 common shares on the exercise of 1,233,334 options for net proceeds of $190,626.

Additionally, on May 31, 2021, the Company entered into a definitive agreement for an 18-month gold and silver loan with European based OCIM Group ("OCIM") for USD$7.5 million. Upon execution, the Company had 90 days in which to drawdown the loan. Upon drawdown, the loan includes an initial six-month payment-free grace period and is then repayable over the following 12 months commencing February 28, 2022 with the Company delivering 228,916 silver and 2,141 gold ounces on a monthly basis. The number of silver and gold ounces was fixed at 15% discount to the spot price on July 26, 2021, the date the Company served notice of drawdown of funds.

During the year ended December 31, 2020, the Company issued common shares as follows:

i. On March 18, 2020, the Company issued 403,640 common shares with a fair value of $20,182 to settle accounts payable of $10,182 owed to a vendor and $10,000 owed to a company controlled by the Chief Executive Officer of the Company.

ii. On August 5, 2020, and August 11, 2020, the Company completed non-brokered private placements and issued 25,641,902 units at $0.155 per unit for gross proceeds of $3,974,494. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrants entitles the holder to purchase one additional common share at $0.25 per share for a period of two years. In connection with the private placement, the Company paid $137,123 in cash, issued 214,665 common shares at $0.155 per share and 821,011 finders' warrants with a fair value of $119,542 as finders' fees.

iii. On November 30, 2020, the Company issued 3,750,000 units with a fair value of $1,703,085 pursuant to an option to acquire royalties (note 8). Each unit consists of one common share and on non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at $0.175 per share for a period of five years.

iv. During the year ended December 31, 2020, the Company adopted a warrant acceleration bonus program ("Acceleration Program") for its outstanding common share purchase warrants granted in connection with the Company's 2019 non-brokered private placement financing. Under the program, warrant holders would receive one bonus common share for every 10 warrants exercised if exercised on or before June 26, 2020 (the "Bonus Shaes"). Pursuant to the Acceleration Program, the Company issued 21,363,055 common shares, including 1,266,055 Bonus Shares, on exercise of 20,097,000 warrants at $0.10 per share for gross proceeds of $2,009,700.

Trends in liquidity and capital resources

The Company expects to generate positive cash flows from its mining operations in 2022 before capital investments, exploration and evaluation and development costs, debt repayment obligations, at current metal prices, and current exchange rates for the Mexican Peso and the USD. This also assumes no significant operational disruptions related to government measures to reduce the spread of COVID-19. The Company may raise additional debt or equity over the next 12 months to improve working capital, fund planned capital investments and exploration programs for its operating mine, acquisitions, and meet scheduled debt repayment obligations.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recent quarters:

Quarter ended	Revenue $	Net loss $	Basic and fully diluted earnings (loss) per share $
June 30, 2021	-	(2,278,901)	(0.02)
March 31, 2021	-	(2,898,649)	(0.02)
December 31, 2020	-	(889,634)	(0.01)
September 30, 2020	-	(815,665)	(0.01)
June 30, 2020	-	(297,884)	(0.00)
March 31, 2020	-	(197,178)	(0.00)
December 31, 2019	-	(65,213)	(0.00)
September 30, 2019	-	(141,788)	(0.00)

SHARE CAPITAL

The Company share capital consists of the following:

i. unlimited common shares without par value
ii. unlimited preferred shares without par value

The following common shares, warrants and stock options were outstanding as follows:

	June 30 2020	As at the date of this MD&A
Common shares	201,110,472	201,481,730
Warrants	52,241,441	51,870,183
Stock options	12,729,166	12,929,166
Fully diluted	266,081,079	266.281,079

The details of outstanding stock options outstanding are as follows:

Expiry date	Exercise price per share	Number of shares remaining subject to options (June 30, 2020)	Number of shares remaining subject to options (As at the date of this MD&A)
August 18, 2022	0.40	262,500	262,500
March 30, 2023	0.08	2,225,000	2,225,000
May 31, 2023	0.10	50,000	50,000
June 27, 2023	0.20	550,000	550,000
October 12, 2023	0.30	2,091,666	2,091,666
January 4, 2024	0.30	150,000	150,000
February 6, 2024	0.30	150,000	150,000
February 17, 2024	0.30	150,000	150,000
March 24, 2026	0.51	6,450,000	6,450,000
April 26, 2026	0.60	250,000	250,000
May 14, 2026	0.60	400,000	400,000
July 15, 2023	0.40	-	200,000
Total		12,729,166	12,929,166

The details of outstanding warrants outstanding are as follows:

Expiry date	Exercise price per share	Number of underlying shares (June 30, 2020)	Number of underlying shares (As at the date of this MD&A)
November 9, 2021	0.50	2,955,000	2,955,000
November 27, 2021	0.10	2,600,000	2,600,000
January 18, 2022	0.50	4,841,800	4,827,800
August 18, 2022	0.25	8,195,972	7,963,714
March 9, 2024	0.45	29,898,669	29,873,669
November 30, 2025	0.18	3,750,000	3,750,000
Total		52,241,441	51,870,183

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The following expenses were paid to key management personnel of the Company:

	Three months ended		Six months ended	
	June 30, 2021 $	June 30, 2020 $	June 30, 2021 $	June 30, 2020 $
Salaries, bonus and benefits	65,000	-	65,000	-
Consulting fees	91,210	33,800	191,600	71,600
Share-based compensation	893,640	19,024	1,228,924	24,957
Total	1,049,850	52,824	1,485,524	96,557

For the three and six months ended June 30, 2021, the Company incurred and paid management and consulting fees to companies controlled by the CEO and a director of the Company.

	Three months ended		Six months ended	
	June 30, 2021 $	June 30, 2020 $	June 30, 2021 $	June 30, 2020 $
Blueberry Capital Corp.	52,500	28,500	90,000	66,000
Universal Solutions Inc.	37,500	5,000	62,500	5,000
Total	90,000	33,500	152,500	71,000

As at June 30, 2021, there was $nil owing (June 30, 2020 – $nil) to Blueberry Capital Corp. a company controlled by the CEO of the Company and Universal Solution Inc a company controlled by a Director of the Company.

CONTINGENCY AND CONTRACTUAL OBLIGATIONS

As at June 30, 2021, the Company had commitments of $357,776, for equipment purchases and other services which are expected to be expended within one year.

MANAGEMENT OF CAPITAL

The Company's capital consists of share capital, equity reserves and deficit. The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support mine refurbishment, exploration and development of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. The Board of Directors has not established quantitative capital structure criteria management, but reviews, on a regular basis, the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits.

- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal; and

- To obtain the necessary financing to complete mine refurbishment and exploration and development of its properties, when it is required.

The properties in which the Company currently holds interests in are in the pre-production and exploration stages and the Company is dependent on external financing to fund its activities in order to carry out planned activities and pay for administrative costs. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In addition, the Company may issue new equity, incur additional debt, option its exploration and evaluation assets for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

There were no changes in the Company's approach to capital management during the six months ended June 30, compared to the year ended December 31, 2020. The Company is not subject to externally imposed capital requirement

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Fair value measurement and valuation techniques

Financial instruments included in the consolidated statements of financial position are measured either at fair value or amortized cost. Estimated fair values for financial instruments are designed to approximate amounts for which the instruments could be exchanged in an arm's-length transaction between knowledgeable and willing parties.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (interest rate, yield curves), or inputs that are derived principally from or corroborated observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The carrying value of cash and cash equivalents is measured at fair value using level 1 inputs as the basis for measurement in the fair value hierarchy. The carrying value of amounts receivable, deposit, and accounts payable, promissory note and accrued liabilities, all of which are carried at amortized cost, approximate their fair value given their nature.

During the three and six months ended June 30, 2021, and 2020, there were no transfers of amounts between Level 1, Level 2, and Level 3 of the fair value hierarchy

Financial risk management

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign exchange risk, credit risk, interest rate risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, advance receivable and deposit. The Company deposits its cash and cash equivalents with high credit quality major Canadian and Mexican financial institutions as determined by ratings agencies. The advance receivable is due upon an event which has not yet occurred, and the deposit will be applied as part of the purchase price towards as subsequent transaction. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows and maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As of June 30, 2021, the Company had cash and cash equivalents of $5,455,156 to settle current liabilities of $3,805,217.

Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is mainly held in bank accounts at a Canadian chartered bank. The interest rate risks on cash and cash equivalents are not considered significant.

The Company interest rate risk principally arises from the interest rate impact on interest charged on its loan payable. The Company's loans payable are subject to fixed interest rates thus any changes in external interest rates would not result in a significant impact on the Company's net loss.

Currency risk

Currency risk is the risk that foreign exchange rates will fluctuate significantly from expectations. The Company reports its financial statements in Canadian dollars; however, it operates in Mexico which utilized both the Mexican Peso and the US Dollar ("USD")(collectively "Local Currencies"). Consequently, the financial results of the Company's operations as reported in Canadian dollars are subject to changes in the value of the Canadian dollar relative to the Local Currencies. Since a significant portion of the Company's operating costs and capital spending are in Local Currencies, the Company is negatively impacted by strengthening local currencies relative to the Canadian dollar and positively impacted by the inverse.

As at June 30, 2021, a 10% change of the Canadian dollar relative to the Mexican Peso would have a net financial impact of approximately $123,198 (December 31, 2020 - $27,000) and a 10% change in the Canadian dollar relative to the USD would have a net financial impact of approximately $305,212 (December 31, 2020 - $69,000). The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

Commodity price risk

Gold and silver prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production, short-term changes in supply and demand due to speculative hedging activities and certain other factors. The ability of the Company to develop its mineral properties and exploration and evaluation assets is highly correlated to the market price of gold and silver. If metal prices decline for a prolonged period below the anticipated cost of production of the Company's mine, it may not be economically feasible to commence or continue production.

RISKS AND UNCERTAINTIES

This section discusses factors relating to the business of GSilver that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and GSilver may face additional risks and uncertainties not discussed in this section, or not currently known to us, or that the Company deems to be immaterial. All risks to GSilver business have the potential to influence its operations in a materially adverse manner.

General Business Risk and Liability

Given the nature of GSilver's business, it may from time to time be subject to claims or complaints from investors or others in the ordinary course of business. The legal risks facing GSilver, its directors, officers, employees or agents in this respect include potential liability for violations of securities law, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of GSilver's right to carry on its existing business. GSilver may incur significant costs in connection with such potential liabilities.

Share Price Volatility

The market price for GSilver's common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond GSilver's control, including the following:

- actual or anticipated fluctuations in GSilver's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which GSilver operates;
- addition or departure of GSilver's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding GSilver common shares;
- sales or perceived sales of additional GSilver common shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting GSilver's industry generally and its business and operations;
- announcements of developments and other material events by GSilver or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and gold and silver price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving GSilver or its competitors;
- operating and share price performance of other companies that investors deem comparable to GSilver or from a lack of market comparable companies; and

- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in GSilver's industry or target markets.

Holding Company Status

GSilver is a holding company and essentially all of its operating assets are the capital stock of its subsidiaries. GSilver conducts substantially all of its business through its subsidiaries, which will generate substantially all of its revenues, and its investors are therefore subject to the risks attributable to its subsidiaries. GSilver's cash flow and its ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to GSilver. The ability of GSilver's subsidiaries to pay dividends and other distributions will depend on each subsidiary's operating results, applicable laws and regulations regarding the payment of dividends and distributions, and any contractual restrictions on distributions in debt instruments, among other things. In the event of a bankruptcy, liquidation or reorganization of any of GSilver's subsidiaries, debtholders and trade creditors will generally be entitled to the payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to GSilver.

Need for Additional Funds

The Company is subject to many risks common to other companies in the same business, including under-capitalization and resource limitations. The Company may require additional capital to continue the operations of the El Cubo Complex or to continue as a going concern. There can be no assurance that such capital will be available or, if available, will be on reasonable terms.

History of Net Losses

GSilver has incurred operating losses in recent periods. GSilver may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, GSilver expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If GSilver's revenues do not increase to offset these expected increases in costs and operating expenses, GSilver will not be profitable. There is no assurance that GSilver will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

Exploration and Development

Exploration for and development of silver and gold properties involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting silver and gold from ore. GSilver cannot ensure that current exploration and development programs will result in profitable commercial mining operations.

The economic feasibility of the mine is based upon many factors, including the accuracy of mineral resource and mineral reserve estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental management and protection; and silver and gold prices, which are highly volatile. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

Metal Prices

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

Title Risks

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest in, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

Environmental Regulations, Permits and Licenses

The current operations of the Company require permits from various federal and state authorities and such operations are subject to laws and regulations governing prospecting, exploration, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies, directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The Company believes that it is in substantial compliance with all material laws and regulation which currently apply to its activities. There can be no assurance that all permits which the Company may require for its exploration activities and operations will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Taxation Risk

Due to the complexity and nature of the Company's operations various income tax positions are required to be taken. No assurance can be given that applicable tax authorities will not issue a reassessment or challenge these positions.

Competition and Agreements with Other Parties

The mining industry is intensely competitive and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is party, and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

Management of Growth

GSilver may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of GSilver to manage growth effectively will require continued implementation and improvement of its operational and financial systems and for each to expand, train and manage their respective employee bases. Any inability of GSilver to deal with growth may have a material adverse effect on GSilver's business, financial condition, results of operations and prospects.

Acquisition Strategy Risks

The Company may pursue acquisition opportunities to advance its strategic plan. The successful integration of an acquired business typically requires the execution of the pre-transaction business strategy, including the retention and addition of customers, realization of identified synergies, retention of key staff and the development of a common corporate culture. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as the ability to realize on anticipated growth opportunities and synergies from newly formed partnerships. Any failure to integrate an acquired business or realize the anticipated benefits of new partnerships may have a material adverse effect on the Company's business, financial condition, and results of operations, as well as its future prospect for acquisitions or partnerships. There is no assurance that the Company will be able to successfully integrate any acquired businesses in order to maximize or realize the benefits associated with an acquisition.

Reliance on Management

The success of GSilver is dependent upon the ability, expertise, judgment, discretion and good faith of its respective senior management and key employees. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on GSilver's business, operating results or financial condition. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that GSilver will be able to attract or retain key personnel in the future, which may adversely impact GSilver's operations.

Conflicts of Interest

Certain of GSilver's directors and officers are also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from GSilver's interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

In addition, the directors and the officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, GSilver's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to GSilver. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to GSilver.

Dividends

GSilver has not paid dividends in the past and does not anticipate paying dividends in the near future. GSilver expects to retain earnings to finance the development and enhancement of its operations and to otherwise reinvest in GSilver's business. Any decision to declare and pay dividends in the future will be made at the discretion of the Board of Directors of GSilver and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board of Directors of GSilver may deem relevant. As a result, investors may not receive any return on investment in GSilver common shares unless they sell them for a share price that is greater than that at which such investors purchased them.

Limited Market for Securities

There can be no assurance that an active and liquid market for GSilver common shares will be maintained and an investor may find it difficult to resell any securities of GSilver.

Volatility of Market Price of the Common Shares and Warrants

The market price of the common shares and warrants may be volatile and subject to wide fluctuations and will be based on a number of factors, including: (i) the prevailing interest rates being paid by companies similar to the Company; (ii) the overall condition of the financial and credit markets; (iii) interest rate volatility; (iv) the markets for similar securities; (v) the financial condition, results of operation and prospects of the Company; (vi) the publication of earnings estimates for the Company or other research reports and speculation regarding the Company in the press or investment community; (vii) changes in the industry in which the Company operates and competition affecting the Company; and (viii) general market and economic conditions. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the common shares and warrants.

Operations in Foreign Jurisdictions

Certain of the Company's operations are located in foreign jurisdictions. As such, the Company's operations at various times may be exposed to political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties include, but are not limited to:

- renegotiation, nullification, termination or rescission of existing concessions, licenses, permits and contracts;
- repatriation restrictions;
- changing political conditions;
- currency exchange rate fluctuations;
- taxation policies;
- changing government policies and legislation;
- import and export regulations;
- infrastructure development policy; and
- environmental legislation

Changes in policies or shifts in political attitude, if any, may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, environmental legislation, and land use. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations and profitability.

In addition, in the event of a dispute arising from operations in a foreign jurisdiction, the Company may be subject to the exclusive jurisdiction of foreign courts.

Litigation

GSilver may become party to litigation, mediation, and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and could, in the future, subject the Company to judgments or enter into settlements of claims for significant monetary damages.

While GSilver has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact GSilver's business, operating results or financial condition.

Global Economy Risk

An economic downturn of global capital markets may make the raising of capital by equity or debt financing more difficult. GSilver may in the future be dependent upon the capital markets to raise additional financing in the future, for potential acquisitions, further expansion of operations and until revenue generated from the El Cubo mine is sufficient to cover both operational and administrative head office costs. As such, GSilver is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact GSilver's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to GSilver. If uncertain market conditions persist, GSilver's ability to raise capital could be jeopardized, which could have an adverse impact on GSilver's operations and the trading price of GSilver's common shares.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are based on historical experience, and other factors considered to be reasonable and are reviewed on an ongoing basis. Actual results may differ from these estimates.

Refer to note 3 of the 2020 annual audited consolidated financial statements for a detailed discussion of the areas in which critical accounting estimates are made and where actual results may differ from the estimates under different assumptions and conditions and may materially affect financial results of its statement of financial position reported in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized when the estimates are revised and in any future periods affected.

In preparing the condensed consolidated interim financial statements for the three and six months ended June 30, 2021, the Company applied the critical accounting estimates and significant judgements as disclosed in note 3 of its audited consolidated financial statement for the year ended December 31, 2020, in addition to those noted below.

a) Value-added tax ("VAT") receivable

Timing of collection of VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. The Company assesses the recoverability of the amounts receivable at each reporting date which is impacted by several factors, including the status of discussions with the tax authorities, and current interpretation of relevant tax legislation. Changes in these estimates can materially affect the amount recognized as VAT receivable and could result in an increase in other expenses recognized in the Condensed Interim Consolidated Income Statements and Comprehensive Income. Significant judgment is required to determine the presentation of current and non-current VAT receivable

b) Leases

Primarily included judgement about whether the lease conveys the right to use a specific asset, whether the Company obtains substantially all of the economic benefits from the use of the asset, whether the Company has the right to direct the use of the asset, evaluating the appropriate discount rate to use to discount the lease liability for each lease or groups of assets, and to determine the lease term where a contract includes renewal options. Significant estimates, assumptions and judgements over these factors would affect the present value of the lease liabilities, as well as the associated amount of the ROU asset

CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

The accounting policies applied in the preparation of the Company's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2020, except as follows:

Mineral properties, plant and equipment

On initial acquisition, mineral properties, plant and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management. When provisions for closure and decommissioning are recognized, the corresponding cost is capitalized as part of the cost of the related assets, representing part of the cost of acquiring the future economic benefits of the operation. The capitalized cost of closure and decommissioning activities is recognized in mineral property, plant and equipment and is depreciated accordingly.

In subsequent periods, buildings, plant and equipment are stated at cost less accumulated depreciation and any impairment in value, whilst land is stated at cost less any impairment in value and is not depreciated.

Each asset's or part's estimated useful life has due regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

The net carrying amounts of mineral property, land, buildings, plant, and equipment are reviewed for impairment at the cash-generating unit level when events and changes in circumstances indicate that the carrying amounts may not be recoverable to the extent that these values exceed their recoverable amounts, that excess is recorded as an impairment provision in the period in which this is determined.

Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will be available to the Company, the expenditure is capitalized and the carrying amount of the item replaced derecognized. Similarly, overhaul costs associated with major maintenance are capitalized and depreciated over their useful lives where it is probable that future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognized. All other costs are expensed as incurred.

When an item of mineral property, plant and equipment is disposed of, it is derecognized and the difference between its carrying value and net sales proceeds is disclosed as earnings or loss on disposal in the statement of loss and comprehensive loss. Any items of mineral property, plant or equipment that cease to have future economic benefits are derecognized with any gain or loss included in the financial year in which the item is derecognized.

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset ("RoU asset") and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset ("RoU asset") and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The RoU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The RoU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The RoU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in the consolidated statement of income in the period in which they are incurred.

The ROU assets are presented within "Plant and equipment" and the lease liabilities are presented in "Lease liabilities" on the balance sheet.

Future changes in accounting standards

On May 14, 2020, the IASB published a narrow scope amendment to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and related cost in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022, with early adoption permissible. The Company is assessing the effect of the narrow scope amendment on its consolidated financial statements and the possibility of early adoption.

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES

Management of the Company has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements; and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of the date of and for the periods presented. There have been no significant changes in the Company's disclosure controls and procedures during the three months ended June 30, 2021.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any system of controls and procedures over financial reporting and disclosure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, management cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Company COO Hernán Dorado Smith (left) and CEO James Anderson inspect a historic exploration map (long section) of a portion of the El Cubo mine from 1911.